



United States
Department of
Agriculture

Farm Service Agency

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Kansas Fact Sheet

Loan Deficiency Payments (LDPs)

Loan Deficiency Payments (LDPs) are payments made to producers who, although eligible to obtain a CCC loan from the Farm Service Agency, agree to forgo the loan in return for a payment.

BENEFICIAL INTEREST

In order to be eligible for a payment, you must request an LDP while maintaining 100% beneficial interest in your commodity. In order to maintain beneficial interest, you must have title to, control of, and risk of loss of the commodity. Just because you have not been paid does not necessarily mean that you still have beneficial interest. Beneficial interest is a complex issue. If you plan to request an LDP on production stored in an elevator, warehouse, or feedlot, visit with your local FSA to discuss your situation and find out when FSA determines that you lose beneficial interest. This is not necessarily when you, the buyer, the ginner, or the warehouse thinks you lose beneficial interest. Do this prior to delivery; shearing, or ginning. Entering into a verbal or written contract does not, in itself, make you lose beneficial interest. FSA reviews terms and conditions of the contract to determine when beneficial interest is lost. If you have entered into a verbal or written contract, we encourage you to review the terms and conditions with your FSA office.

ELIGIBILITY REQUIREMENTS

Other eligibility requirements which must be met for LDPs, besides beneficial interest, are as follows:

- Acreage report for current year on all cropland on the farm
- Form CCC-502 (Farm Operation Plan) on file
- Form AD-1026 (Conservation Compliance) on file
- Form CCC-526 (Adjusted Gross Income) on file
- Shares in the risk of production
- Not owe a delinquent non-tax Federal debt.

A farm does not have to have a Direct and Counter-cyclical Program contract to obtain an LDP.

CCC DETERMINED VALUE

LDPs are available on corn, cotton, grain sorghum, honey, oats, barley, rice, soybeans, wheat, peanuts, wool, mohair, unshorn pelts, pulse crops, and minor oilseeds when the "CCC-determined value" falls below the loan rate. LDPs are also available if these commodities are harvested as other than whole grain, such as silage and hay.

The CCC-determined value is subject to change daily at 7 a.m. Eastern Time (ET) for corn, soybeans, grain sorghum, wheat, barley, oats, and Friday at 7 a.m. (ET) for minor oilseeds and pulse crops.

For cotton, it is subject to change each Friday at 12:01 a.m. (ET). For peanuts, wool and mohair, rates are subject to change each Wednesday at 12:01 a.m. (ET). Honey changes on the last day of each month at 3:00 p.m. (ET).

The CCC-determined values can be obtained:

- At the FSA office
- From most buyers, elevators, gins
- www.fsa.usda.gov/daftp/psd
- for honey, www.fsa.usda.gov/ao/epas/dsa/honey/rice.htm
- for wool and mohair, www.fsa.usda.gov/daftp/psd/MKTPRI/CLEAN1.htm

LDP OPTIONS

There are two options available in requesting an LDP:

Option 1 - Form CCC-709 used prior to harvest or shearing. Rate based on date of delivery, or date of shearing for wool/mohair, or date of ginning for cotton. Not available for honey.

Option 2 - Form CCC-633 LDP (or Form CCC-Cotton AA for cotton) used after harvest, ginning or shearing. Must have beneficial interest when request is made. Rate based upon date of request.

LDP Option 1 Details:

Form CCC-709: (Field Direct to the elevator, warehouse, feed yard, feedlot, or wool pool.)

- Each quantity delivered is locked in at the LDP rate in effect on the date of delivery, shearing, or ginning for the county where the farm records are kept.
- Must be signed before the date of harvest or shearing on a fully completed CCC-709 with all applicable signatures.
- May be entered into after harvest begins but will not include production previously delivered.
- Cannot be used for quantities being stored on the farm.
- May be limited to: 1) a certain quantity, 2) production delivered to a certain location, 3) production from certain farms, or 4) quantities delivered for immediate sale only. The immediate sale option is not available for cotton.
- Production delivered on a weekend or holiday receives the rate of the last workday prior to the weekend or holiday.
- A certification, scale tickets, load summary sheet, evidence of sale, or warehouse receipts must be provided. For cotton, a gin tag listing or warehouse receipt is required.
- If the LDP rate is zero for the date delivered or sheared, you have used up your eligibility on that quantity. You will not be able to receive a loan or LDP on that quantity.

- May be revised at any time to discontinue the CCC-709 from that point forward. Any production harvested, ginned, or sheared prior to the date of revision is locked in under the CCC-709. An LDP on any production delivered from the date of revision forward may be requested on Form CCC-633 LDP (or CCC-Cotton AA for cotton) any time thereafter as long as you still have beneficial interest.
- According to Kansas State Law if a facility is not licensed and bonded then they can not handle commodities in an open storage basis and title transfers from the producer to the facility upon delivery. Almost all feedlots, seed houses, and feed stores in Kansas are not licensed or bonded. In these cases a CCC-709 is required before harvest
- If you are losing beneficial interest at delivery, harvest, shearing or ginning, the CCC-709 is the only LDP option you have.

LDP Option 2 Details:

Form CCC-633 LDP (or CCC-Cotton AA for cotton): (farm or warehouse)

- The LDP rate is locked in on the date that the completed CCC-633 LDP or CCC-Cotton AA is signed and received by FSA, for the county where the commodity is stored.
- Must be requested after harvest, ginning or shearing.
- May be used for farm-stored production.
 - May be either certified or measured by FSA for \$25 per hour. Measurement Services are not available for wool or mohair.
 - If measured, the producer may request that the measurement be considered final production.
- There are provisions that allow a producer to lock-in an LDP rate on seed cotton stored in modules or trailers for the purpose of obtaining a subsequent LDP after ginning.

- May be for elevator/warehouse stored production
 - May use a scale ticket (not from producer's own scale), load summary sheet or warehouse receipt. If these are provided, then the LDP is not subject to spot-check.
 - For cotton, a gin tag listing or warehouse receipt is required.
- May be certified (not apply to cotton). A scale ticket (not from producer's own scale), load summary sheet, warehouse receipt, or evidence of sale will be required when spot-checked.
 - If the county office has reason to question the quantity certified or beneficial interest, production evidence and proof of beneficial interest will be required.
 - If it is found on a spot-check that additional production existed, an additional disbursement cannot be made. If the producer maintains beneficial interest at that time, a new LDP application can be filed and disbursed on the date of the new application.
 - Wool and mohair applications can receive an additional disbursement based on the original LDP rate if the production evidence indicates additional production existed.

FINAL AVAILABILITY DATES

The final date to apply for LDPs for the 2004 crop year is:

- January 31, 2005 for peanuts, wool, mohair, and unshorn pelts.
- March 31, 2005 for wheat, barley, canola, oats, and honey.
- May 31, 2005 for cotton, rice, corn, grain sorghum, soybeans, pulse crops, and minor oilseeds.

Remember you must have beneficial interest in the commodity when you file your LDP request.

FAXED LDPs

LDP applications may be faxed to the FSA county office. The producer is responsible for ensuring the form is completed correctly, signed, and dated. Producer must have proof of a successful fax transmission for any appeals. FSA-237 must be on file in a FSA county office before the faxed LDP request is received. If the requirements of a faxed LDP are not met, then the LDP request will not be accepted.

E-GOV

- Producers with a Level 2 e-Auth account may file LDPs through the e-Filing system. Your on-line LDP application will be electronically sent to the FSA county office for processing and payment. For more information go to:
<http://www.eauth.egov.usda.gov/>
- The new e-LDP process will soon be released. The process will allow producers with a Level 2 e-Auth account to file their LDP request through the web where it will be processed and paid by the FSA Kansas City Financial Office. More information coming on this process.

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